

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6458

BILL NUMBER: SB 339

NOTE PREPARED: Jan 2, 2013

BILL AMENDED:

SUBJECT: State Gross Retail Tax.

FIRST AUTHOR: Sen. Kruse

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a Sales Tax exemption for feed or seed purchased by a person for the person's direct use in the direct production of food and food ingredients for the person's own personal consumption. (The exemption in current law is limited to purchases of feed or seed that is used in commercial farming.)

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR)* - This bill could increase the DOR's administrative costs. The DOR may have to amend Sales Tax forms and computer software to incorporate the provisions of this bill. The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Summary* - The bill exempts feed and seed purchased for personal food production from the Sales Tax. These purchases could primarily include vegetable seeds for home gardens. The estimated Sales Tax revenue loss from seed purchases for home gardens is approximately \$1.1 M to \$1.8 M in FY 2014 and \$1.2 M to \$1.8 M in FY 2015.

The bill also exempts feed purchased for animals that will be used for personal consumption. Because data on such feed purchases are unavailable, the estimated impact of the exemption is indeterminable but could be significant. To the extent that individuals purchase feed for animals that will be used to produce food for personal consumption, the revenue loss could be greater.

Sales Tax revenue is distributed as follows: 99.848% to the state General Fund, 0.123% to the Commuter Rail Service Fund (CRSF), and 0.029% to the Industrial Rail Service Fund (IRSF). The table below shows the estimated revenue impact on each fund.

Impact on Funds		Lower Limit Estimate		Upper Limit Estimate	
Fund	Distribution	FY 2014	FY 2015	FY 2014	FY 2015
General Fund	99.848%	-\$1,139,664	-\$1,165,186	-\$1,765,984	-\$1,805,532
CRSF	0.123%	-1,404	-1,435	-2,175	-2,224
IRSF	0.029%	-331	-338	-513	-524
Total	100.000%	-\$1,141,399	-\$1,166,960	-\$1,768,673	-\$1,808,281

Background Information - The majority of purchases that are Sales Tax-exempt under this bill will likely be vegetable seeds for personal gardens. According to a survey conducted by the National Gardening Association, 23% to 27% of all households in the United States have a vegetable garden. The most popular vegetables among gardeners include tomatoes, cucumbers, sweet peppers, beans, carrots, and summer squash. The average price of seed packets for these types of vegetables is about \$4.72. The estimates above are based on the assumption that six to eight types of vegetables can be planted in one garden. However, the revenue loss could be lower to the extent that home gardeners purchase live plants instead of seed.

No data are available relating to household purchases of feed for animals being raised by households for personal consumption.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will decrease to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: *The Impact of Gardening in America*, National Gardening Association, 2009; Atlee Burpee & Co., www.burpee.com/; 2010 Census, U.S. Census Bureau.

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